its income tax here upon dividends received from its foreign subsidiary, of a proportionate part, as defined, of the income taxes paid by that subsidiary to "any foreign country."[7] The same provision applies to subsidiaries with respect to income taxes paid "to any possession of the United States."

In effectuating these purposes, it is manifest that the controlling consideration was the fact that the income tax was paid to a foreign government competent to lay the tax, and not the international status of that government. The burden upon the domestic corporation was the same whether the foreign government had international standing or was a lesser political entity which nevertheless had authority to impose the exaction upon the corporation or its subsidiary. And if credit was to be allowed here by reason of the payment of the income tax abroad, it made no difference to the Government of the United States whether the payment abroad was made to the one sort of foreign government or the other. The reasons underlying the allowance of the credit were applicable in either case.

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[7] In the Report of the Committee on Ways and Means of the House of Representatives in relation to the Revenue Bill of 1921 (H. R. Rep. No. 350, 67th Cong., 1st sess., p. 8), the following statement was made with respect to American concerns doing business in foreign countries: "Under existing law an American citizen or domestic corporation is taxed upon his or its entire income even though all of it is derived from business transacted without the United States. This results in double taxation, places American business concerns at a serious disadvantage in the competitive struggle for foreign trade, and encourages American corporations doing business in foreign countries to surrender their American charters and incorporate under the laws of foreign countries." While this statement was made to introduce a remedial proposal, which was not adopted, it discloses the purpose entertained. See, also, Report of Committee of Finance of the Senate (Sen. Rep. No. 275, 67th Cong., 1st Sess., p. 9).

The Conference Report on the Revenue Bill of 1921 (H. R. Rep. 486, 67th Cong., 1st sess., p. 38), contains the following: "Amendment No. 436: The House bill provided for the exclusion from income of all dividends received from a corporation. Senate amendments agreed to by the conferees having provided for the inclusion in gross income of certain dividends received from a foreign corporation, Senate amendment No. 436 provides, under proper safeguards, for the credit by a domestic corporation of taxes paid by its subsidiary foreign corporation with respect to the income or profits of the foreign corporation paid as taxable dividends to the domestic corporation, and the House recedes."

An examination of the provisions of earlier income tax acts in which the expression 'foreign country' is found, does not support, but rather negatives, the conclusion that the term was used in the restricted sense for which the petitioner contends. In the Corporation Tax Act of 1909 (36 Stat. 113) deduction from gross income was allowed to the corporation for all sums paid by it within the year for taxes "imposed by the government of any foreign country as a condition to carrying on business therein." That corporation tax was an excise on the privilege of doing business in a corporate capacity. The provision with respect to taxes laid by a foreign government manifestly referred to that government which, as the statute said, imposed a privilege tax. There was no suggestion that the foreign government laying the tax must have an international status; it was enough that it had authority to require the payment "as a condition to carrying on business". In the Income Tax Act of 1913, Paragraph G (b) (38 Stat. 173) deduction was allowed, in computing net income of a corporation, of "all sums paid by it within the year for taxes imposed under the authority of the United States or of any State or Territory thereof, or imposed by the Government of any foreign country." The Income Tax Act of 1916, Sections 5 (a), 6 (a) and 12 (a) (39 Stat. 759, 769), provided for deduction from gross income of "Taxes paid within the year imposed by the authority of the United States, or its Territories, or possessions, or any foreign country, or under the authority of any State, county, school district, or municipality, or other taxing subdivision of any State, not including those assessed against local benefits." The Income Tax Amendments of 1917, Sections 1201 (1), 1207 (1) (40 Stat. 330, 335) continued the provisions for deductions as to taxes imposed "by the authority" of "any foreign country" in obviously the same sense.[3]

There appears to be no room for the conclusion that, under these Acts, the deductions for taxes paid abroad were available only if paid to a foreign government that had an international

[3]These provisions in the Act of 1917 read: "Taxes paid within the year imposed by the authority of the United States (except income and excess profits taxes), or of its Territories, or possessions, or any foreign country, or by the authority of any State, county, school district, or municipality, or other taxing subdivision of any State, not including those assessed against local benefits."

standing, and not if paid to a foreign government which although not having that standing was still authorized to exact the taxes. The criterion was the fact that the tax was imposed by the authority of a foreign country and not the international status of the particular government to which it was paid. We have not been referred to any opposing administrative construction of these Acts.[9]

The Revenue Act of 1918, with its provisions for credits, against income taxes laid here, of taxes paid "to any foreign country, upon income derived from sources therein" (Secs. 222 (a), 238 (a); 40 Stat. 1073, 1080)[10], was enacted with this background and we

[9]On the contrary, Treasury Regulations No. 33, Revised (issued in January, 1918, applicable to the Income Tax Acts of 1916 and 1917) had the following provision in Article 8 with respect to the deductions allowed to citizens and resident aliens for taxes paid abroad: "Taxes: State or any political subdivision thereof, Federal or foreign (except income and excess profits taxes paid to the United States), and not including taxes assessed against local benefits."

The provision of these regulations as to the taxes deductible in cases of corporations, had the same import.

This provision was as follows: "Art. 191. *Taxes deductible.*—Taxes imposed against a corporation by authority of the United States (except income and excess-profits taxes) its territories or any foreign country, or by authority of any State, county, school district, municipality, or other taxing subdivision of a State (not including those assessed against local benefits) and paid within the year for which the return is made, are deductible from the gross income of a domestic corporation."

[10]These provisions as to individuals were as follows:

"Sec. 222 (a). That the tax computed under Part II of this title shall be credited with:

"(1) In the case of a citizen of the United States, the amount of any income, war-profits and excess-profits taxes paid during the taxable year to any foreign country, upon income derived from sources therein, or to any possession of the United States; and

"(2) In the case of a resident of the United States, the amount of any such taxes paid during the taxable year to any possession of the United States; and

"(3) In the case of an alien resident of the United States who is a citizen or subject of a foreign country, the amount of any such taxes paid during the taxable year to such country, upon income derived from sources therein, if such country, in imposing such taxes, allows a similar credit to citizens of the United States residing in such country; . . ."

And with respect to domestic corporations:

find no basis whatever for the conclusion that the term "foreign country" was used in that statute in any different sense. In the Act of 1918, the provisions for deductions of taxes from gross income, in computing net income, by citizens or residents, and by domestic corporations, of taxes paid to a foreign country, were continued as in the prior acts, save that there was excepted from these deductions the amount of the credits now allowed to citizens and residents under section 222 and to domestic corporations under section 238 (40 Stat. 1067).[11] In these provisions for deductions, the expression "foreign country" undoubtedly had the same meaning that it had in the prior income tax acts.[12] It will be observed that taxes paid to the States of the Union, or to their political subdivisions, were deductible from gross income.[13] But in the provisions introduced in the Act of 1918 for credits against income

"Sec. 238 (a). That in the case of a domestic corporation the total taxes imposed for the taxable year by this title and by Title III shall be credited with the amount of any income, war-profits and excess-profits taxes paid during the taxable year to any foreign country, upon income derived from sources therein, or to any possession of the United States. . . ."

[11]These provisions for deductions in the Revenue Act of 1918 were: "Sec. 214 (a) . . . (3). Taxes paid or accrued within the taxable year imposed (a) by the authority of the United States, except income, war-profits and excess-profits taxes; or (b) by the authority of any of its possessions, except the amount of income, war-profits and excess-profits taxes allowed as a credit under section 222; or (c) by the authority of any State or Territory, or any county, school district, municipality, or other taxing subdivision of any State or Territory, not including those assessed against local benefits of a kind tending to increase the value of the property assessed; or (d) in the case of a citizen or resident of the United States, by the authority of any foreign country, except the amount of income, war-profits and excess-profits taxes allowed as a credit under section 222; . . ."

Section 234 (a) (3) (d) provided for a similar deduction of taxes paid by a domestic corporation, excepting from such deductions the credits allowed under section 238.

[12]Treasury Regulations No. 45, under the Revenue Act of 1918, thus described these deductions: "Art. 131. *Taxes.*—Federal taxes (except income, war profits and excess profits taxes), State and local taxes (except taxes assessed against local benefits of a kind tending to increase the value of the property assessed), and taxes imposed by possessions of the United States or by foreign countries (except the amount of income, war profits and excess profits taxes allowed as a credit against the tax), are deductible from gross income. . . ." See, *supra*, note 9.

[13]*Supra*, note 11.

taxes, such taxes paid to the States of the Union, and to their political subdivisions, were not included.[14] This fact does not affect the present question, for credits were allowed in the case of income taxes paid to foreign countries, and the provision as to such countries was the same in the section relating to credits as in that with respect to deductions. The slight difference in phraseology in sections 222 and 238 as to credits for taxes paid "*to* any foreign country", instead of taxes imposed "*by the authority of* any foreign country", as in sections 214 (a) and 234 (a)[15] is not important. As the context plainly shows, both phrases were intended to convey the same meaning. Thus section 234 (a) (3) (d) provides for deduction, in computing the net income of a domestic corporation, of the taxes imposed "by the authority of any foreign country, except the amount of income, war-profits and excess-profits taxes allowed as a credit under section 238." The distinction made with respect to income taxes paid to the States of the Union, and to their political subdivisions, between deductions from gross income and credits against taxes, simply reflected the economic policy adopted in making allowances for taxes paid within the borders of continental United States and the organized territories. In relation to income taxes paid outside these borders, the provision as to credits was enacted to give greater and not less relief. Not only was the same expression as to foreign countries used in the section as to credits against income taxes as had been employed, and was still continued, as to deductions from gross income, but that the reference was not to a government having an international status was indicated by the provision for similar credits in cases of income taxes paid to "any possession of the United States."[16] And that the dominant thought in the mind of the Congress was to allow a credit for income taxes paid in any foreign country, whenever imposed by the authority of a foreign government, is shown in the reports, above cited, of the committees in connection with the Revenue Bill of 1918.[17]

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[14] *Supra*, note 10.

[15] *Supra*, note 11.

[16] See sections 222 (a) and 238 (a) of the Revenue Act of 1918; *supra*, note 10.

[17] *Supra*, note 6.

No change, or qualification, was made in the use of the term "foreign country" in the Revenue Act of 1921,[18] and we think it must be regarded as having the same significance as it unquestionably had through the series of the prior income tax acts to which we have referred. The same controlling purpose is manifest, and the credit provision, here in question, in relation to taxable dividends from foreign subsidiaries of domestic corporations was introduced not to narrow that purpose but to carry it out more effectively.[19]

The present controversy has arisen under the Treasury Regulations adopted with respect to the Revenue Acts of 1918 and 1921 as to credits.[20] The familiar principle is invoked that great weight is attached to the construction consistently given to a statute by the executive department charged with its administration. *United States* v. *Jackson*, 280 U. S. 183, 193. But the qualification of that principle is as well established as the principle itself. The Court is not bound by an administrative construction, and if that construction is not uniform and consistent, it will be taken into account only to the extent that it is supported by valid reasons. *United States* v. *Missouri Pacific R. R. Co.*, 278 U. S. 269, 280. See, also, *United States* v. *Dickson*, 15 Pet. 141, 161; *United States* v. *Healey*, 160 U. S. 136, 145; *Chicago, Milwaukee & St. Paul Rwy. Co.* v. *McCaull-Dinsmore Co.*, 253 U. S. 94, 99. Moreover, ambiguous regulations are of little value in resolving statutory ambiguities. In the 'Preliminary Edition' of Treasury Regulations No. 45 under the Act of 1918, Article 382 relating to credits stated: "'Foreign country' means any governmental authority, not that of the United States or any part or possession thereof, having power to impose such taxes, and it therefore includes a self-governing colony, such as the Dominion of Canada." But this provision was shortly superseded in the amended Regulations No. 45, promulgated April 17, 1919, by a new Article 382 containing the following: "'Foreign country' includes within

[18]Supra, notes 1 and 5.

[19]See reports of committees in relation to the Revenue Bill of 1921, *supra*, note 7.

[20]So far as deductions of taxes from gross income, in computing net income, are concerned, the regulation under the Act of 1918 was continued under that of 1921. Treasury Regulations No. 62, Art. 131; see, *supra*, note 12.

its meaning any foreign sovereign state or self-governing colony (for example, the Dominion of Canada), but does not include a foreign municipality (for example, Montreal) unless itself a sovereign State (for example, Hamburg). 'Any possession of the United States' includes, among others, Porto Rica, the Philippines and the Virgin Islands.'' The Department thus sought to introduce a qualification as to the significance of 'foreign country' not found in the words of the statute, or in those of the preceding income tax acts, or in departmental regulations under them, and one that was inconsistent with the apparent purpose of the enactment. It was a qualification which not only did not conform to the view that the expression 'foreign country' was limited to a foreign State having the status of an international person under international law, but, on the other hand, afforded no definite criterion. Its phrase 'self-governing colony' had no certain application, as there are colonies with varying degrees of self-government, and if, in view of the aim of the statute, it was important to draw a distinction with respect to self-government, it would appear that the particular phase of autonomy that was relevant to the purpose of the statute was the competency to impose income taxes upon the domestic corporation, or its foreign subsidiary, with respect to which the relief was granted. It is true that certain foreign political divisions which formerly had not had an international status were achieving it, but even that progress, at the time of the adoption of the regulation in 1919,[21] was still uncertain both as to the quality and extent of the international recognition which would be accorded, and, however important in other relations that progress might be, it was not the concern of this statute and its operation cannot be deemed to depend upon it. The departmental regulation became the more ambiguous as it proceeded with its illustrations relating to municipalities.

By section 216 (e) of the Revenue Act of 1918, a non-resident alien individual was allowed credits for personal exemptions and for dependents if the 'country' of which he was a citizen or subject allowed a similar credit to citizens of the United States not residing in 'such country.' Article 307 of Regulations No. 45 gave a list of 'countries' which satisfied the credit requirements of this provision. This list was amended in later editions of these

[21] See Oppenheim, International Law, 4th ed., vol. 1, secs. 63, 94*a*, 94*b*.

regulations, applicable to the Revenue Act of 1918, and embraced a great variety of 'countries,' including, for example, British Honduras, Ceylon, Cyprus, Fiji Islands, Gibraltar, Gold Coast, Malay States, Mauritius, St. Kitt-Nevis, etc.[22] As already noted, the expression 'foreign country' was used in section 222 (a) (3) of

[22]See Article 307, Treasury Decisions, vol. 21, p. 245; vol. 23, p. 444; vol. 24, p. 118. As finally amended, the Article was as follows:

"Art. 307. *When nonresident alien individual entitled to personal exemption.*—(a) The following is an incomplete list of countries which either impose no income tax or in imposing an income tax allow both a personal exemption and a credit for dependents which satisfy the similar credit requirement of the statute: Argentina, Bahama, Barbados, Basutoland, Bechuanaland Protectorate, Belgium, Bermuda, Bolivia, Bosnia, Brazil, British Guiana, British Honduras, Bukowina, Bulgaria, Canada, Carniola, Ceylon, Chile, China, Colombia, Cuba, Cyprus, Czechoslovakia, including Bohemia, Moravia, and Slovakia, Dalmatia, Denmark, Ecuador, Egypt, Falkland Islands, Fiji Islands, France, Galicia, Gambia, Germany, Gibralter, Gold Coast, Goritz, Gradisca, Greece, Grenada, Guatemala, Herzegovina, Hongkong, Istria, Jamaica, Kenya, Luxemburg, Malay States, Malta, Mauritius, Mexico, Montenegro, Montserrat, Morocco, Newfoundland, Nicaragua, Nigeria, Northern Rhodesia, Norway, Nyasaland Protectorate, Panama, Paraguay, Persia, Peru, Porto Rico, Portugal, Rumania, St. Kitt-Nevis, St. Helena, Santo Domingo, Serbia, Siam, Sierra Leone, Silesia, Somaliland Protectorate, Spain, Swaziland, Switzerland, Trieste, Uganda Protectorate, Union of South Africa, Venezuela, Virgin Islands (British), Weihaiwei, Western Pacific Islands, Zanzibar Protectorate. (b) The following is an incomplete list of countries which in imposing an income tax allow a personal exemption which satisfies the similar credit requirement of the statute, but do not allow a credit for dependents: Bachka, Banat of Temesvar, Croatia, Finland, India, Italy, Salvador, Slavonia, Transylvania. (c) The following is an incomplete list of countries which in imposing an income tax do not allow to citizens of the United States not residing in such country either a personal exemption or a credit for dependents and therefore fail entirely to satisfy the similar credit requirements of the statute: Australia, Austria, including Carinthia, Lower Austria, Salzberg, Styria, Tyrol, Upper Austria and Vienna, Costa Rica, Dutch Guiana, Great Britain and Ireland, Japan, the Netherlands, New Zealand, Trinidad, Sweden. The former names of certain of these territories are here used for convenience, in spite of an actual or possible change in name or sovereignty. A nonresident alien individual who is a citizen or subject of any country in the first list is entitled for the purpose of the normal tax to such credit for personal exemption and for dependents as his family status may warrant. If he is a citizen or subject of any country in the second list he is entitled to a credit for personal exemption, but to none for dependents. If he is a citizen or subject of any country in the third list he is not entitled to credit for either personal exemption or for dependents. If

the Revenue Act of 1918 in relation to credits allowed to an alien resident of the United States for taxes upon income derived from sources in such 'country,' if the latter allowed a similar credit to citizens of the United States.[23] Article 385 of Regulations No. 45, set forth the list of 'countries' which did or did not satisfy this reciprocal credit requirement. This Article further illustrates the ambiguity of the regulations.[24]

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he is a citizen or subject of a country which is in none of the lists, then to secure credit for either a personal exemption or for dependents he must prove to the satisfaction of the commissioner that his country does not impose an income tax or that in imposing an income tax it grants the similar credit required by the statute.''

[23] *Supra*, note 10.

[24] Article 385 of Regulations No. 45 is as follows (Treas. Decis. vol. 3, p. 473):

''Art. 385. *Countries which do or do not satisfy the similar credit requirement.*—(a) The following is an incomplete list of the countries which satisfy the similar credit requirement of section 222 (a) (3) of the Revenue Act of 1918, either by allowing to citizens of the United States residing in such countries a credit for the amount of income, war profits, or excess profits taxes paid to the United States upon incomes derived from sources therein, or in imposing such taxes, by exempting from taxation the incomes received from sources within the United States by citizens of the United States residing in such countries: Bulgaria, Canada, Italy, Newfoundland, Salvador. (b) The following is an incomplete list of the countries which do not satisfy the similar credit requirement of section 222 (a) (3) of the Revenue Act of 1918, either by allowing no credit to citizens of the United States residing in such countries, for the amount of income, war profits, or excess profits taxes paid to the United States upon incomes derived from sources therein, or because such countries do not impose any income, war profits, or excess profits taxes: Argentina, Bahama, Belgium, Bermuda, Bolivia, Bosnia, Brazil, Chile, China, Costa Rica, Ecuador, Egypt, Finland, France, Great Britain and Ireland, Guatemala, Herzegovina, India, Jamaica, Japan, Montenegro, Morocco, New Zealand, Nicaragua, Panama, Paraguay, Persia, Peru, Portugal, Roumania, Santo Domingo, Serbia, Siam, Sweden, Switzerland, Venezuela. The former names of certain of these territories are here used for convenience in spite of the actual or possible change in the name or sovereignty. A resident of the United States who is a citizen or subject of any country in the first list is entitled, for the purpose of the total tax due the United States for 1918 and subsequent years, to a credit for the amount of any income, war profits, and excess profits taxes paid or accrued during the taxable year to such country upon income from sources therein. If he is a citizen or subject of any country in the second list, he is not entitled to such credit. If he is a citizen or subject of a country which is in neither list, then to secure the desired credit he must prove to the satisfaction of the Commissioner that his country satisfies the similar credit requirement of the statute.''

It is urged that the Revenue Act of 1921 must be deemed to have been adopted with the meaning attributed to the term 'foreign country' by the regulations under the Act of 1918. But regulations of such an ambiguous character supplying no definite criterion cannot be deemed to determine satisfactorily the interpretation of the statute. The Revenue Act of 1918 had continued the expression 'foreign country' precisely as it had been used in the preceding income tax acts without any such restricting gloss, and the Act of 1921 continued the expression as used in the Act of 1918. In these circumstances, we are of the opinion that the expression 'foreign country' in the Act of 1921 should be deemed to have the same significance in that Act that it had in the prior acts and was not limited by the regulations adopted under the Act of 1918. The regulations under the Act of 1921 were of the same equivocal sort as those to which we have referred under the Act of 1918, and can be deemed to have no greater effect.[25] The decisions of the Treasury Department[26] applying these regulations have no more force than the reasons given to sustain them and these, in our opinion, furnish no adequate ground for denying effect to the credit provisions of the statute in accordance with their manifest purpose.

In this view, we find it unnecessary to consider the arguments that have been adduced with respect to the status of New South Wales in its relation to the Commonwealth of Australia. There is no question that New South Wales levied the income taxes for which credit is sought and that its government had adequate authority to impose them.

We conclude that the Board of Tax Appeals and the Circuit Court of Appeals were right in holding that these income taxes fell within the statutory provision as to credits, and the judgment is affirmed.

Judgment affirmed.

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[25]Regulations No. 62, Articles 382, 385.

[26]Solicitor's Memorandum No. 1187, October 18, 1919; Office Decision No. 1050, C. B. 5, p. 194, Solicitor's Memorandum No. 1614, C. B. III-1, p. 227.